The Great Lakes
Environmental Law Center

Protecting the world's greatest freshwater resource
and the communities that depend upon it

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Re: *To date, what has been Michigan's cost of renewables, and how has that impacted rates paid by residential, commercial, and industrial customers?*

Michigan's cost of renewables continues to decline as production becomes more efficient and popularity increases. As of the end of 2012, Michigan had 30 renewable energy projects either completed or expected to be completed in 2013.[1] The implementation of these renewable energy projects has contributed positively to job growth and local investments within the state.

Consumers Energy reported substantial economic benefits in Mason County as a result of the Lake Winds Energy Park. The County and the State of Michigan received an economic boost of approximately $10 million dollars.[2] The breakdown was as follows: Michigan construction companies and materials supplies, $4 million; indirect economic impacts, $4.8 million; benefits to area hotels, restaurants, and retailers as a result of worker presence, $1 million.[3]

Additionally, reports on three of DTE's wind parks estimate they will contribute $150 million in economic benefits to the State of Michigan through 2013. The Gratiot Wind Park contributed approximately $30 million to Michigan construction workers and suppliers, and an additional $750,000 to local dining, lodging, and retail establishments. A second wind park in Huron and Sanilac Counties contributed an estimated $60 million in direct payments to

[1] Michigan Public Service Commission, *Report on the Implementation of the P.A. 295 Renewable Energy Standard and the Cost-Effectiveness of the Energy Standards* at 39 (2013).
[2] *Id*. at 20.
[3] *Id*.

construction and supply companies, with another $750,000 in indirect benefits. Finally, the Echo Wind Park resulted in over $7 million in localized economic benefits. Through 2013, DTE predicts that these projects will add an additional $60 million in benefits to Michigan's economy.[4] Michigan has gained a great deal from investments in renewable energy, and in particular, wind power.

The economic benefits of wind energy have extended beyond those realized by Michigan companies. The costs continue to decline as wind energy development progresses, thereby providing benefits to energy consumers. To make this calculation, the Michigan Public Service Commission (MPSC) uses various formulas to determine the levelized cost of a particular energy source, taking into account the costs of initial capital, operations and maintenance, performance, and fuel costs over the life of the energy source. As of the end of 2011, the combined average levelized cost of wind energy for Consumers Energy and DTE was $94.27/MWh.[5] At the end of 2012, that number had dropped to $80.32/MWh.[6] The MPSC reported the following for other sources of renewable energy: digester, $137.02/MWh; biomass, $98.94; landfill, $103.84; hydro, $121.31.[7] Compared with the levelized cost of a new conventional coal plant, $133/MWh, all sources of renewable energy are less expensive.

The benefits that renewables have brought to Michigan's economy have not come at the significant expense of ratepayers. Pursuant to Public Act 295 of 2008 (the Act), utilities are limited in the costs that they can pass on to consumers as a result of renewable energy development. Section 45 of the Act establishes the following limits on monthly surcharge

[4] *Id*. at 20-21.
[5] Michigan Public Service Commission, *Report on the Implementation of the P.A. 295 Renewable Energy Standard and the Cost-Effectiveness of the Energy Standards* at 24 (2012).
[6] 2013 P.A. 295 Report at 26. See fn. 1.
[7] *Id*. Solar is not in this calculation due to its comparatively small presence in Michigan. While still an expensive source of energy, costs have decreased dramatically in recent years and this trend is expected to continue.

amounts: $3.00/month per residential customer meter; $16.58/month per commercial secondary customer meter; $187.50/month per commercial primary or industrial customer meter.[8] While renewables have the potential to pass on a small surcharge cost to consumers, other benefits must be taken into account. The most recent calculation of overall power supply costs for Consumers Energy and DTE was $64/MWh, which is substantially higher than the combined costs of renewable energy and energy efficiency standards of $45.98/MWh.[9]

Respectfully submitted,

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[8] *Id*. at 3.
[9] *Id*. at 30.